



The Rugged Frontier

A Decade of Public Charter Schools in Arizona

**by Bryan C. Hassel
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PROGRESSIVE POLICY INSTITUTE

Preface

At some point in almost any debate about charter schooling, the example of Arizona is invoked. Many charter school supporters see Arizona's charter school law as the gold standard, while most charter opponents point to Arizona as evidence of the shortcomings of charter schools.

Not surprisingly, the reality lies somewhere between these extremes. In this report, charter school experts Bryan Hassel and Michelle Godard Terrell tell the story of charter schooling in Arizona: the great, the bad, and the ugly. They show that the looseness of Arizona's charter school law has allowed for the creation of many excellent schools but has also resulted in too many sub-par ones. This unevenness makes Arizona, truly, the rugged frontier of charter schooling.

As Hassel and Godard Terrell show, this policy tension between restrictiveness that stifles innovation and permissiveness that undermines quality is one that every state faces when designing charter school policies. Yet it is also a challenge that states can resolve. Hassel and Godard Terrell offer important recommendations specifically for policymakers in Arizona, but they may also be useful for policymakers addressing this balance in charter school laws elsewhere.

This paper is an important resource for educators, policymakers, journalists, and others with an interest in charter schooling in Arizona and nationwide. It is the third in a series of PPI reports analyzing state and urban experiences with charter schooling. During the remainder of 2004, the 21st Century Schools Project will produce similar analyses about charter schooling in New York City, Indianapolis, Ohio, and Texas.

A generous grant from the Bill and Melinda Gates Foundation made it possible for the 21st Century School's Project to produce this report. We are grateful to the Gates Foundation for their support of this project and their overall commitment to educational improvement.

The 21st Century Schools Project at the Progressive Policy Institute works to develop education policy and foster innovation to ensure that America's public schools are engines of equal opportunity in the knowledge economy. Through research, publications and articles, and work with policymakers and practitioners, the Project supports initiatives to strengthen accountability, increase equity, improve teacher quality, and expand choice and innovation within public education.

The goals of the 21st Century Schools Project are natural extensions of the mission of the Progressive Policy Institute, which is to define and promote a new progressive politics for the 21st century. The Institute's core philosophy stems from the belief that America is ill-served by an obsolete left-right debate that is out of step with the powerful forces reshaping our society and economy. The Institute believes in adapting the progressive tradition in American politics to the realities of the Information Age by moving beyond the liberal impulse to defend the bureaucratic status quo and the conservative bid to dismantle government. More information on the project and PPI is available at www.ppionline.org.

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Introduction

“There’s no place on Earth quite like the Grand Canyon State.”

These words open the official website of the Arizona Office of Tourism.¹ And the site’s stunning photographs bear out that statement: a golfer swings, with wind-shaped towers of rock in the background; colorful flowers spring improbably from the desert soil; people on horseback cross a rocky stream, straight from the set of a Western; the sun sets over the Grand Canyon.

Despite decades of explosive population growth, Arizona remains a rugged frontier, a place where things work a bit differently than they do elsewhere in the country. Where else can you find skyscrapers, lush lawns, arid terrain, and snow-topped mountains within striking distance of each other? What other state’s Republican senator would defend the presumptive Democratic presidential nominee in an election year? Even

time, the great constant, works differently in Arizona: When most of the nation springs forward to daylight-savings time, Arizona stays on standard time.

Though the tourism website focuses more on golf schools than public schools, Arizona’s charter school sector also stands out as an example of the state’s exceptional qualities. Charter schools are independent public schools of choice designed and operated by educators, parents, community leaders, and educational entrepreneurs, and given broad flexibility and freedom from regulatory constraints in exchange for public accountability for student achievement. Like the Grand Canyon, the first thing you notice is the sheer scale. With nearly 500 charter schools enrolling more than 73,000 students in the 2003-2004 school year, Arizona has the most charter

Figure I. Growth in Charter Schools (by Charter School Authorizer)

Fiscal Year		State Board of Education	State Board for Charter Schools	School Districts	Total in Operation	Percentage Change from Prior Year	Total Charter School Enrollment
1995-1996	Holders	20	22	4	46	n/a	n/a
	Sites	25	41	4	70	n/a	n/a
1996-1997	Holders	37	42	22	101	120	n/a
	Sites	56	68	22	146	109	13,543
1997-1998	Holders	43	64	27	134	33	
	Sites	53	104	27	184	26	21,115
1998-1999	Holders	50	88	35	173	29	
	Sites	70	151	35	256	39	28,496
1999-2000	Holders	55	100	54	209	21	
	Sites	81	180	77	338	32	35,172
2000-2001	Holders	62	147	26	235	12	
	Sites	79	243	32	354	5	47,104
2001-2002	Holders	66	192	30	288	23	
	Sites	87	292	44	423	19	57,725
2002-2003	Holders	63	238	30	331	15	
	Sites	84	332	44	460	9	66,309
2003-2004	Holders	62	279	21	362	9	
	Sites	90	366	39	495	8	73,054

SOURCE: Arizona State Board for Charter Schools (ASBCS), March 2004.

schools in the nation and is second only to its next-door neighbor, California, in enrollment (see Figure 1).²

As a proportion of the state's overall population of schools and students, though, Arizona's charter school movement is second to none. Nearly one out of every four public schools in Arizona is a charter school. Because charter schools tend to be small, the percentage of students attending them is not as large—about 7.5 percent. In most states, only 1 percent or 2 percent of public school students go to charter schools. Though the students enrolled in charter schools differ in some ways from the state's overall student population, the schools largely enroll a cross-section of Arizona's children (see Figure 7).

The scale of Arizona's charter sector is no accident. The state's lawmakers deliberately fashioned a charter statute that opened the doors wide. It is common for state charter laws to constrain the spread of charter schools by such means as placing caps on the number of schools, limiting who can obtain a charter, or giving local school boards veto power over charter proposals. Not so in Arizona. The state can have as many charter schools as chartering authorities are willing to approve. Virtually any kind of applicant, even a for-profit company, can seek a charter there. Charter seekers can ask their local school boards for approval, but they can also approach the Arizona State Board for Charter Schools (ASBCS), which was the first agency in the nation created specifically to authorize charter schools and is still one of only a handful of such agencies.

The ASBCS, most of whose members are appointed by the governor,³ has been at the forefront of the sector's expansion, chartering nearly three-quarters of Arizona's operating charter schools. The law may have opened the door, but it has been ASBCS that has ushered applicants in, approving 76 percent of the applications it received between 1994 and 2002.⁴

As a consequence, the board now oversees a large and far-flung collection of schools. If the board were a school district, it would rank among the nation's largest, in terms of number of schools; only New York City, Los Angeles, and Chicago have more schools.⁵ The board's charges are located throughout the state, and overseeing them would be a challenge even for a large army of district personnel. Yet ASBCS manages the system with a staff of only eight employees and one contract certified public accountant.

To some observers, the resulting situation is an accountability nightmare: Licenses to run public schools being handed out freely, with little follow-up oversight to see how well the schools are performing. To others, the Arizona model is an exciting experiment on the forefront of education reform: providing lots of options for parents, allowing schools to chart their own courses with few restrictions, and letting the market sort out winners and losers. To still others, the reality is more complex: Changes now under way aim at taming Arizona's "Wild West" system, they say, and the old stories no longer apply.

A decade into the Arizona experience, this report aims to shed some light on what has really happened on this wild frontier of charter school policy. It reviews the unique Arizona law and its evolution over time, examines the outcomes charter schools have attained, and profiles some of the high and low points of chartering in Arizona. It analyzes the potential risks and rewards inherent in the Arizona model. It delves into some of the pressing challenges facing chartering in the state, and concludes with some recommendations for the future.

Among our principal findings:

- **Promising outcomes.** Many Arizona charter schools are performing very well. In 2003-2004, 40.4 percent of charter schools participating in the state accountability system were "highly performing" or "excelling," compared with 26.6

percent of district schools.⁶ These figures do not include the many charter schools that are too small to receive state labels. But the larger charter schools, at least, include a large share of high-performers. Annual growth in student achievement is also higher, on average, in charter elementary schools.⁷ High percentages of charter school parents and teachers express satisfaction with their schools.⁸

❑ **“Brush fires” on the frontier.** At the same time, Arizona has seen some serious problems at individual charter schools, ranging from egregious financial misconduct to illegal religious instruction to discrimination against children with disabilities. In a practice that is now prohibited, some districts essentially sold charters to schools far outside their own boundaries, collecting fees while doing little to oversee the schools. Yet few charters have been revoked in the state. As of December 2003, seven charters had been revoked, 36 schools had voluntarily surrendered or closed under threat of revocation, and three revocations were pending.⁹

❑ **Lack of information.** The lack of a transparent information system about charter schools makes it impossible to know how widespread the alleged unsavory practices have been in the state’s charter schools. Though ASBCS is developing better systems, there is no way to obtain detailed school-by-school information. Far too many charter schools are not rated in the state’s accountability system because of their small size; the resulting information vacuum makes it impossible to draw conclusions about performance in the charter sector.

❑ **Signs of impact and response.** Researchers have begun to document the fact that some districts are responding to chartering by marketing themselves to the community, seeking to improve

their schools’ performance, and offering new programs to retain current students and attract new ones.¹⁰

❑ **Challenges of oversight and accountability.**

Arizona’s chartering program has evolved quite a bit over the course of 10 years. Problems at individual charter schools have prompted the Arizona legislature to amend the law over time. More significantly, the state’s primary authorizer, ASBCS, is in the midst of making numerous policy changes designed to improve oversight and accountability. Views on these changes differ within Arizona. Some believe they will help the state avoid the kind of “brush fires” it has endured in the past; others see the reforms as adding to the paperwork and regulatory burden on schools without improving performance.

❑ **Challenges of cohesion.** With such a large and far-flung charter sector, charter advocates in Arizona have struggled to build a cohesive movement with real strength in state politics or the capacity to provide comprehensive assistance to schools.

Here are several recommendations to help Arizona’s chartering program address its challenges while maintaining a relatively open system with strong autonomy for the schools:

❑ **Be tough but smart about oversight.** While the bodies overseeing charter schools in Arizona should strive to minimize administrative burdens on schools and oversight agencies, they must place a greater emphasis on what matters most—academics and bottom-line compliance issues. With so many charters being overseen by a small agency, it is of paramount importance that oversight resources be concentrated primarily on problem areas, rather than across-the-board requirements.

Frequent, unannounced, and random spot checks should be employed as a deterrent to financial misconduct, discrimination, and other basic types of mismanagement that have plagued some of Arizona's charter schools in the past.

- ❑ **Use information aggressively as a tool for accountability.** Not much useful data is available about individual charter schools in Arizona. A much richer database of performance information needs to be available online, along with access to schools' audits and compliance records.
- ❑ **Close poorly performing schools.** With a relatively open "front end," it becomes especially important to have a clear, rigorous, and workable process for closing schools that are not performing well. Charter school authorizers in Arizona need to forge through potentially bitter politics and embrace their authority by revoking the charters of schools that are failing academically or violating basic tenets of public schooling, such as open access and proper handling of public funds. The Legislature needs to make clear that

authorizers have the power to do that, and do it without facing endless and expensive litigation.

- ❑ **Provide resources for high-quality authorizing.** All of these recommendations require that authorizers, and in particular ASBCS, have sufficient resources to carry out their work. It may also make sense for the state to diversify its authorizing to some degree. Having more than one prominent authorizer would allow different approaches to oversight to emerge and, in conjunction with better transparency regarding school performance, to be put to the test.
- ❑ **Focus on creating a support system to improve and expand the supply of high-quality charter schools.** Those concerned about the long-term success of chartering in Arizona should focus energy on supply-generating strategies, such as replicating successful charter schools, tapping existing community and cultural organizations to start new schools, and building the capacity of organizations in the state to support charter schools.

The Law

The original enabling legislation of Arizona's charter schools was enacted in June 1994, making Arizona the 10th state to pass a charter school law. It quickly became known as the "strongest" charter law in the nation, offering freedom from most traditional public education regulations and approaching a free market in public education.¹¹ Arizona's charter law has few of the restrictions typical of other laws around the nation and gives its schools more fiscal and legal autonomy than most of the nation's 41 other charter school laws.

Unlike many states, Arizona does not limit the number of charter schools that can be created.

Purpose of Legislation

"Charter schools are established to provide a learning environment that will improve pupil achievement. Charter schools are created to provide additional academic choices for parents and students." —Section 15-181 of Chapter 8 of the Arizona Revised Statutes.

The law empowers three types of bodies to authorize charters: the State Board of Education (SBE), ASBCS, and the local school district within whose boundaries the charter school is located. The existence of multiple authorizers means that the chances of getting a charter application approved are greater than in many other states. Public organizations, nonprofit private organizations, and private individuals are permitted to open charter schools. In addition, private schools can convert to charter status. State-approved charter schools function as independent local education agencies, operating as legally and financially autonomous entities similar to school

districts. A single charter holder can open multiple schools or sites. In the 2003-2004 school year, 362 holders held charters for 495 sites. Arizona law allows a charter term of 15 years with five-year reviews.

The Frontier Spirit

In 1994, charter schools were just appearing on the horizon. Only one state, California, had more than 15 charter schools. In the mid-1990s, Arizona's anti-bureaucratic spirit and conservative political climate were ripe for the development and support of charter schools. Republicans had control of both houses of the Legislature and the governor's office. Legislators placed school voucher and charter school bills simultaneously on the legislative agenda. The strong threat of voucher legislation forced opponents of school choice, mainly Democrats and union supporters, to accept the compromise of charter school legislation.

This context helps explain why Arizona's initial legislation was so "strong" by national standards. Nationally, similarly strong laws have tended to emerge in states under Republican control and in states where likely opponents of charter schools had their hands full fighting other battles.¹² Since Arizona had both of these ingredients in 1994, it is no surprise that the resulting legislation allowed a large number of charter schools with few restrictions.

Domesticating the Frontier

Although appropriations for charter schools had not been tied to the legislation and no regulatory framework was in place, applications for charters began arriving shortly after the legislation was signed into law.¹³ By the end of its first year, the state already had the second-highest number of

charter schools in the nation, behind only California, whose charter legislation went into effect one year earlier. As in other states, tweaking of the legislation began soon after the first round of applications was approved. In the 1996 legislative

session, a bill was passed that established revocation criteria, changed the length of a charter from five years to 15 years (with interim reviews at five-year intervals), and allowed any property of a charter school to remain the property of a charter school

Figure 2. Arizona Charter School Law Overview

APPROVAL PROCESS

Number of Schools Allowed	Unlimited.
Number of Charter Sites Operating, 2003-2004	495.
Number of Charter Holders, 2003-2004	362.
Eligible Chartering Authorities	1. The State Board for Charter Schools (including the state Superintendent of Public Instruction, eight gubernatorial appointees, and three nonvoting legislative appointees). 2. The State Board of Education. 3. The school district within whose boundaries the charter school will be physically located.
Eligible Applicants	Public organization, private person, private organization.
Types of Charter Schools	Converted public and private, new start-ups.
Appeals Process	None.
Formal Evidence of Local Support Required	No.
Recipient of Charter	Charter school governing body.
Term of Initial Charter	Fifteen. The sponsoring body must review the charter every five years.

ACCOUNTABILITY

Academic Accountability	Must demonstrate alignment with Arizona's academic standards. Must participate in state mandated annual nationally norm-referenced testing program and in the Arizona criterion-referenced testing program (AIMS-Arizona Instrument to Measure Standards) in grades three, five, eight, 10 and 12.
Annual Reports	Charter schools must prepare annual report cards and receive annual financial audits.
Revocation	An authorizer may deny a charter school's request for renewal, if the charter school has failed to complete the obligations of the contract or failed to comply with the law. Also, an authorizer may revoke a charter at any time if the school breaches one or more provisions of its charter. The school may appeal a decision to a state superior court.

OPERATIONS

Automatic Waiver From Most State and District Education Laws, Regulations, and Policies	Yes.
Legal Autonomy	Yes.
Governance	Governing board.
Charter School Governing Body Subject to Open Meeting Laws	Yes.
Charter School May be Managed or Operated by a For-Profit Organization	Yes.

SOURCE: Table adapted from Center for Education Reform, A Profile of Arizona's Charter School Law, 2001, 2001, <http://www.edreform.com/index.cfm?fuseAction=cLaw&stateID=29> and Education Commission of the States' Arizona State Charter School Profile, <http://mb2.ecs.org/reports/Report.aspx?id=65>. Updates provided by PPI researchers, April 2004.

(House Bill 2384). The 1998 legislative session required charter school participation in the Arizona Instrument to Measure Standards Test (AIMS) (House Bill 2293). While charters were rapidly expanding, many of the early amendments

addressed single issues, such as retirement system participation, transportation, independent audits, and enrollment calculations. Once charter schools became well-ensconced in the education and political landscapes, accounts of charter schools gone

OPERATIONS, CONT.

Transportation for Students	For charter schools authorized by local school boards, transportation may be provided by the district; other charter schools receive state aid to provide transportation for students.
Facilities Assistance	The Department of Education must provide a list of vacant buildings owned by the state that are suitable for charter schools. Nonprofit charter schools may apply to the Industrial Development Authorities to issue tax-exempt bonds.
Technical Assistance	Provided by the Department of Education, as well as nongovernmental entities.
Reporting Requirements	State law requires all public schools to prepare annual report cards for parents and the Department of Education; charter schools must also undergo an annual audit.

FUNDING

Funding Schedule	Unlike traditional public schools, charter schools are on “current year” funding. Each May, all charter schools submit an estimated enrollment that includes the school and district of last attendance.
Amount	For charter schools authorized by local school boards, funding may be negotiated and is specified in the charter; for other charter schools, funding is determined by the same base support level formula used for all district schools. State funding accounts for about 80 percent of all revenue.
Path	Funds pass through the district to charter schools authorized by local school boards, and from the state to all other charter schools.
Fiscal Autonomy	Yes.
Start-up Funds	Federal and state.

TEACHERS

Collective Bargainings/District Work Rule	Teachers may remain covered by the district bargaining agreement, negotiate as a separate unit with a charter school governing body, or work independently.
Certification	Not required, except for federal requirements for special education teachers.
Leave of Absence From District	Up to three years.
Retirement Benefits	Charter schools must participate in the state's retirement system.

STUDENTS

Eligible Students	All students in the state.
Preference for Enrollment	District residents if sponsored by local school board; siblings.
Enrollment Requirements	Not permitted.
Selection Method (in case of over-enrollment)	Equitable selection process, such as a lottery.
At-Risk Provisions	None.

bad in Arizona became commonplace. Consider the following examples:

❑ **Districts selling charters for profit:** The original legislation allowed school districts to grant charters to operators for charter schools outside the district lines. As of July 1997, 23 of the 35 district-sponsored charter campuses did not operate in the school districts that granted their charters.¹⁴ Several school districts helped to fund themselves by chartering and charging hefty “administrative fees” to schools located in other districts. There was much outcry that the districts were doing nothing to oversee these schools, while going into the profit-making business of selling charters.¹⁵

❑ **Religious instruction:** While state law bans religious instruction in charter schools, there have been charges that some charter schools have provided it. For example, one school placed an advertisement in a Mormon paper, promising religious mentors to charter school students. Another school included creationism in its curriculum.¹⁶ In 2002, when state officials visited a charter school in Maricopa County after receiving complaints, they found the principal leading a prayer and quoting from the Bible at a student assembly, and religious textbooks being used in the curriculum.¹⁷ The charter of the school, sponsored by SBE, was revoked because the school was providing religious instruction.

❑ **Discrimination related to special needs children:** Some parents of disabled students have complained that charter schools discriminate against their children because the schools do not want to be required to provide the children with the more expensive special education services mandated by federal and state law. According to third-term State Sen. Mary

Most Recent Legislative Changes

2003

House Bill 2534

SBE was prohibited from sponsoring additional charter schools in fiscal 2003-2004, and ASBCS was required to provide oversight for existing SBE-sponsored charter schools.

2002

Senate Bill 1034

Home Owners’ Association (HOA) was prohibited from regulating a charter school.

2000

House Bill 2218

The charter-holder of a charter school was subjected to the same electronic data submission requirements as a school district.

Senate Bill 1302

Applicants seeking to establish a charter school and an application for renewal of a charter were required to submit a detailed business plan; school districts were prevented from sponsoring charter schools located outside the geographic boundaries of the school district. Cap on number of charters the two state boards can issue is removed. Funding schedule is replaced, allocating funds in 12 equal monthly installments.

SOURCE: Education Commission of the States, State Notes, Charter Schools, <http://www.ecs.org>.

Hartley, a prominent critic of charter schools in Arizona, several documented complaints allege charter schools have dismissed children with learning disabilities on trumped-up charges; failed to evaluate children and provide them with services; and denied admission to disabled children because a school building was not wheelchair-accessible.¹⁸

❑ **Misuse of funds for personal profit:** In the fall of 2001, a school in Mesa was closed after its operator was accused of misusing funds for personal use and falsifying enrollment figures.¹⁹ As of December 2003, reporting violations and

financial mismanagement had closed at least six other schools.²⁰

In response to publicity about such events, an omnibus charter school bill was passed in 2000

Arizona by the Numbers: A Snapshot of the Decade-Long Charter Movement

- ❑ There are 495 schools operating in Arizona in 2003-2004, the highest number of any state, and nearly 8 percent more than the previous school year.²¹
- ❑ Nearly one out of four public schools is a charter school.²²
- ❑ More than 73 percent of the schools are authorized by the Arizona State Board for Charter Schools.²³
- ❑ Seven cyber charters are operating as a pilot program in the state—the maximum number allowed by law.²⁴
- ❑ Arizona's charter schools enroll 73,054 students; 61.2 percent of these are elementary school-age children.²⁵
- ❑ In 2003, charter schools served 45.7 percent children of color; compared with 50.1 percent for other public schools statewide.²⁶
- ❑ More than 61 percent of students attending the 118 charter schools reporting free and reduced lunch data participated in the federal nutrition program. Nearly 50 percent of students attending the 1,206 traditional schools that report free and reduced lunch data participated in the federal nutrition program.²⁷
- ❑ Seventy-eight percent of charter schools in Arizona have fewer than 300 students.²⁸
- ❑ In a large sample of charter school and traditional school students, more students were designated as needing special education among the charter school population than among the traditional public school population—5.8 percent compared with 3.8 percent.²⁹ In that same sample, almost four times as great a share of traditional public school students as charter school students were designated as gifted—7.6 percent compared with 2.0 percent.³⁰
- ❑ As of the end of 2003, seven charters had been revoked, 36 had been surrendered (some under threat of revocation), and three revocations were pending. Forty chartered schools never opened; six closed and then reopened.³¹
- ❑ In nine out of 15 counties, charter school sites comprise at least 20 percent of the public schools.³²
- ❑ More than 80 percent of charter school funding comes from the state, 13.2 percent from the federal government, and 6.7 percent from local sources. Districts' revenue sources come primarily from local and state sources (43.9 percent and 44.3 percent, respectively).³³
- ❑ Average per-pupil expenditure by charter schools in fiscal 2003 was \$5,123. Districts ranged from an average of \$5,809 to \$6,827, depending on the type of district.³⁴

(Senate Bill 1302). The legislation shifted more responsibility to state authorizers, away from the districts. It also restricted districts from sponsoring schools outside their geographic boundaries and prevented districts found to be out of compliance with this provision of the law from sponsoring new charters or approving transfer of charters. At the same time, an annual 25 charter cap on each of the two state boards was removed. (For the first six years, up to 25 charters annually could be granted by the two state bodies, while local school boards were allowed unlimited chartering.) The two state boards were also required to accept sponsorship transfers for charters sponsored by school districts out of compliance. In addition, for the first time, applicants seeking to establish a charter school or applying for renewal of a charter were required to submit detailed business plans. Many charter

school advocates considered the omnibus bill a setback that had gone too far.³⁵ An actively chartering superintendent told the Arizona Republic, “This Legislature created the charter school movement, and now they’re doing everything they can to rein it in.”³⁶

More recently, in the 2003 legislative session, SBE requested and the Legislature agreed to a moratorium on additional SBE-sponsored charter schools and required ASBCS to provide oversight for existing SBE-sponsored schools (House Bill 2534). The SBE determined that it wanted to spend more time developing broad education policy, rather than on oversight. The board also concluded that ASBCS had a more appropriate framework for sponsoring and monitoring the schools. The SBE has requested an extension on the moratorium in the 2004 legislative session.³⁷

Outcomes

Student Achievement

If one looks simply at schools' 2003-2004 state achievement profiles, it appears that charter schools are performing well, on average, in comparison with district schools. In that year, 40.4 percent of participating charter schools were desig-

nearly 158,000 test scores of more than 62,000 Arizona students attending 873 charter and traditional public schools over a three-year period, researchers found that charter school students showed an overall average annual achievement growth roughly three points higher than their traditional public school cohorts. Over four years of elementary school, this difference amounts to about one extra year of growth for charter school students.

Achievement growth varied by grade level. At the elementary level, charter school students exhibited faster growth than traditional public school students. Achievement growth in the middle grades was similar for both kinds of students, while achievement growth was higher for traditional public high school students.

The researchers suggest that the likely reason for this is that elementary charter schools focus on academics, while charter schools for the middle and high school populations serve at-risk students. The same study found that the high performance of Arizona charter school students is not due to "creaming" the brightest students from traditional public schools. Rather, charter schools generally

nated as highly performing or excelling under Arizona's state accountability system, compared with 26.6 percent of district schools.³⁸ A higher percentage of charter schools met Adequate Yearly Progress (AYP) criteria as defined by the federal No Child Left Behind (NCLB) Act (62 percent compared with about 55 percent).³⁹ One very important caveat to these performance statistics is that only 52 of the 460 charter schools in operation last year were given performance labels by the state, due to the small enrollments in many charter schools.⁴⁰

A much more extensive longitudinal study of the effect of attending charter or traditional public schools on SAT-9 reading achievement and achievement *growth* found that, on average, charter school students progress more rapidly than their peers in traditional public schools.⁴¹ Examining

Figure 3. District and Charter Schools' Performance on State Achievement Tests, 2003-2004

Performance Rating	Number of District Schools	Percent of Total	Number Charter of Schools	Percent of Total
Excelling Schools	122	11.7	11	21.2
Highly Performing Schools	156	14.9	10	19.2
Performing Schools	635	60.8	28	53.8
Underperforming Schools	132	12.6	3	5.8

SOURCE: AZLEARNS Achievement Profiles, ADE, <http://www.ade.state.az.us/profile/publicview/AZLEARNSSchoolList.asp>.

Figure 4. District and Charter Schools Meeting Adequate Yearly Progress Criteria, According to the Federal No Child Left Behind Act

School Category	District Schools	Percent of Total	Charter of Schools	Percent of Total
Schools Meeting AYP Goals	706	54.5	248	62
Schools Not Meeting AYP Goals	569	43.9	150	37
Schools for Which Question is Not Applicable or Null	20	1.5	4	1

SOURCE: District School and Charter School AYP Determinations, ADE, <http://www.ade.state.az.us/profile/publicview/aypdistrictlist.asp>.

**Figure 5. Involuntary Closures
(Revocations or Pending Revocations)**

Reason for Closure	Number of Schools
Financial issues/mismanagement	6
Lack of enrollment	1
Failure to administer AIMS testing and failure to submit complete audit	1
Failure to reopen after relocation	1
Teaching religious curriculum	1

SOURCE: ASBCS, December 2003.

enroll students entering with *lower* test scores. Charter students' achievement scores then increase three points more each year than those of their counterparts in traditional public schools.

Overall, these results look positive for Arizona's charter schools. They do not appear to be explained by demographic differences. One might expect Arizona's relatively open-door approach to granting charters to produce a host of poorly performing schools, but the achievement data do not confirm that expectation. Instead, more "flowers" than "weeds" appear to be blooming. Arizona's public schools overall score below U.S. averages on National Assessment of Educational Progress tests in mathematics and reading. So outscoring district public schools in Arizona is easier than in many other states. The results are incomplete, due to the many charter schools that are too small to be counted in the current state system. Perhaps if these institutions were included, the picture would be different. Still, the scores imply that many charter schools are doing well with their students.

It is important to underscore the need to disaggregate data and use the appropriate analytic approaches when considering how well charter schools are achieving. Charter schools are not a single kind of school, the way schools adopting a partic-

ular instructional model are. They vary greatly in their student bodies, instructional approaches, and organizational forms. As a result, it makes little sense to assess a state's charter school policy based on how well the average charter school is doing relative to the average district school.⁴²

Instead, what we would really like to know is how individual charter schools are *different* from typical district schools,

and whether any of those differences is affecting student performance. Such an analysis would give policymakers much more useful information than an aggregate charter-to-district comparison possibly can. But such an analysis is impossible in most states, because nothing like that kind of fine-grained, school-level information is available. The lack of information is especially acute in Arizona, which has no centralized source of information about schools.

Beyond Student Achievement

Closures

While a school is chartered for up to 15 years in Arizona, the authorizer must conduct a formal

**Figure 6. Charter Surrenders
(Voluntary or Under Duress)**

Reason for Surrender	Number of Charters
Unknown	12
Lack of enrollment	7
Financial issues/mismanagement	4
Converted to district school	3
Pursued other interests	3
Fraud/falsification of documents	2
Failure to reopen after relocation	1
Not innovative	1
Converted back to Bureau of Indian Affairs School	1
Converted to grant school	1
Converted to private school	1

SOURCE: ASBCS, December 2003.

Figure 7. Comparison of Student Populations

Student Population	District Schools Percentage	Charter Schools of Charters
Gifted	7.6	2.0
Special Education	3.8	5.8
White	49.9	54.3
Black	4.6	7.3
Hispanic	36.8	30.2
Am. Indian/Alaskan Native	6.5	6.5
Pacific Islander/Asian	2.2	1.7

SOURCES: Gifted and special education figures from Solmon and Goldschmidt, p. 4; other statistics from Annual Financial Report, ADE, fiscal year 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

review every five years. If a school is found to be out of compliance, the first act of the authorizer has been to deduct 10 percent of its monthly funding until compliance is achieved.⁴³ If the school remains out of compliance, ASBCS policy requires that a 90-day “intent to revoke” letter be sent, giving the school an opportunity to take corrective action.

As of December 2003, seven charters in the state had been revoked; 36 schools had voluntarily surrendered their charters or closed under threat of revocation, and three revocations were pending.⁴⁴ As of late 2002, nearly 7 percent of the nation’s total charter schools had been closed.⁴⁵ State-level closure rates ranged from a low of 1 percent in Pennsylvania to a high of 38 percent in South Carolina; Arizona’s closure rate during this period was approximately 10 percent.⁴⁶ Figures 5 and 6 show the reasons for various kinds of closures in Arizona.

Parent Satisfaction

The majority of charter school parents are highly satisfied with the schools their children attend. A survey of parents of students at 291 charter school sites, reported by SBE in 2003, found that approximately 67 percent of responding parents gave their children’s schools a grade of A+ or A.⁴⁷ In the survey, the board also found that, using state achievement profiles, state officials gave nearly identical

grades to the charter schools in question (parents graded their schools before the achievement rankings were calculated; therefore, the results of the state assessment could not have influenced their rankings). The most important reason parents cited for choosing the specific schools for their children, with the largest number of respondents, was: “Better teachers at this school” (44.8 percent) followed by “unhappy with curriculum or teaching at prior school” (40.0 percent), “people told me this is a better school” (34.6 percent), and “my child wanted to come here” (27.1 percent).

Students Served

Despite early fears that Arizona’s charter schools would “cream” the top-achieving public school students, it appears that they are serving populations relatively similar to district schools. While charter schools serve a greater percentage of white students, according to the state Department of Education, they also serve a greater percentage of black students than traditional public schools.⁴⁸ These statistics reflect similar findings of two studies of race/ethnicity patterns in Arizona charters: one, a 1998 study by the Goldwater Institute, and the other, a 1999 study by two university researchers. While the studies contained similar statistics, their conclusions were strikingly different. The first asserted that while “charter schools may be more ethnically concentrated,” this was a direct result of founders’ efforts to open schools in predominantly African-American areas and to target parents and students underserved by district public schools.⁴⁹ The other study found that “the charter schools that had a majority of ethnic minority students enrolled in them tended to be either vocational secondary schools that do not lead to college or ‘schools of last resort.’ The

degree of ethnic separation in Arizona schools is large enough and consistent enough to warrant concern among education policymakers.”⁵⁰

In a recent study comparing achievement, researchers found that more students in charter schools are designated special education students than in the traditional public schools—5.8 percent compared with 3.8 percent.⁵¹ The share of traditional public school students who were designated as gifted was almost four times as big as the share of gifted charter school students—7.6 percent compared with 2 percent.⁵²

Teacher Morale

Teachers in Arizona’s charter schools are typically “at will” employees who can be hired and fired with ease.⁵³ Despite the lack of security, a 1998 study found that charter school teachers felt more empowered than district teachers.⁵⁴ Researchers Robert Maranto and April Gresham conducted a survey of elementary district and charter school teachers. The majority (62 percent) of charter school teachers reported having complete or near-complete influence over establishing curricula, compared to only one-quarter of district teachers. More than three-quarters of charter teachers, compared with 44 percent of district teachers, reported high influence over choice of instructional materials.

In another study, funded by the state Department of Education and conducted by Arizona State University’s Morrison Institute for Public Policy, charter school teachers reported that they were quite satisfied with their teaching positions.⁵⁵ A supportive school administration (60 percent), potential for greater autonomy in classroom decisions (59 percent), and an opportunity for greater responsibility/growth (59 percent) were the professional features chosen as having

Success on the Frontier: Night High Schools

With nine out of every 100 Arizona students dropping out of high school, four charter schools in Tucson saw an education need to be met and began offering night school sessions to Tucson students and teenage parents. PPEP TEC High School, Canyon Rose Academy, Desert Rose Academy, and Mountain Rose Academy provide self-paced learning, one-on-one help in the classroom, and, most importantly, flexible hours. PPEP TEC has four campuses in Tucson, two of which offer classes from 5:30 to 9:00 p.m. Mondays through Thursdays. Sister academies Desert Rose and Mountain Rose offer classes from 5:15 to 10:00 p.m. Mondays through Thursdays. A third academy, Canyon Rose, opened last August with a similar schedule. Individualized education plans, computer-based instruction, and a self-paced process are highlights of the programs. Because students enter the charter school night sessions at different grade levels—some come in as freshmen, others as juniors or seniors—school administrators say it is impossible to calculate a graduation rate. Teachers have found night school students to be more dedicated and disciplined than their day school counterparts.

attracted them to their charter school. Eighty-five percent reported that they would continue teaching at their school; 12 percent said they were undecided; and 3 percent said they would no longer teach there after the end of the school year. Their concerns about charter schools centered primarily on the lack of sports and other extracurricular activities, funding for building/campus improvements, salaries, and implementation of special education programs.

Risks and Rewards of a More Open System

When state policymakers set the policy for chartering, they implicitly make a decision about risk. Creating a more open system like the one in Arizona brings with it various risks. With a low bar to entry, applicants with little capacity to run effective schools may receive charters. With minimal capacity for close monitoring, schools may veer off track after they open and run far afield of their stated missions or good practice. With charter authorizers' hands legally tied, it may be difficult or impossible to shut down schools that are failing academically or financially. In short, the charter sector may become home to a large number of severely underperforming schools.

These risks, however, are theoretically counterbalanced by the potential rewards of a more open system. One potential reward is the emergence of extraordinarily excellent schools that might have trouble obtaining charters under a more restrictive system—especially one in which school districts have the final say about the issuance of charters. Another potential reward comes from scale—the opportunity for a large charter sector to elicit a more significant competitive response from school districts.

How has this risk-reward tradeoff played out so far in Arizona? Arizona's legislation is known as the "strongest" charter school law in the nation.⁵⁶ It is applauded by charter school supporters for allowing an unlimited number of charter schools, multiple authorizers, a long initial charter term, few restrictions

on faculty, and a variety of types of schools. The state's primary authorizer, ASBCS, has chartered more schools than any other authorizer in the nation. Between 1994 and 2002, the board approved 76 percent of all new school and transfer/conversion applications. Out of 413 applications submitted during that time, only 70 were rejected.⁵⁷

With only eight full-time staff members and one contract CPA supporting the board, thorough review of applications and oversight of schools can be challenging (compare this with the 37 full-time staff members at Central Michigan University who oversaw 56 charter schools in 2002-2003).⁵⁸ The

Figure 8. Geographic Concentrations of Charter Schools

County	Number of District Schools	Number of Charter Sites	Percent of Public Schools That Are Charter Sites
Mohave	47	48	50.5
Yavapai	55	41	42.7
Maricopa (Phoenix, Mesa, Glendale, Scottsdale, Chandler, Tempe, Gilbert, Peoria)	687	265	27.8
Pima (Tucson)	240	86	26.4
Coconino	44	13	22.8
Graham	18	5	21.7
Apache	38	10	20.8
Navajo	55	14	20.3
Santa Cruz	20	5	20.0
Gila	27	6	18.2
Cochise	54	7	11.5
Yuma (Yuma)	41	5	10.9
Pinal	63	7	10.0
La Paz	12	1	7.7
Greenlee	8	0	0.0
Total	1,409	513	26.7

SOURCE: Annual Financial Report, ADE, fiscal year 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

Arizona board also oversees more than 60 additional charters originally chartered by the state Board of Education. The role of ASBCS is less regulatory than other statewide authorizers, and its guiding philosophy is to “sponsor and oversee successful charter schools.”⁵⁹ While always trying to balance advocacy with oversight, ASBCS has been catego-

rized as “eager approvers, inattentive overseers.”⁶⁰ This charge came before the board restructured its application, oversight, and renewal processes, and before the impact of legislative changes in 2000 could be observed. As discussed more fully in the next section, the board is attempting to refine its model for large-scale chartering so that it can con-

Success on the Frontier: National Accreditation

Between November 2002 and November 2003, four Arizona charter schools received national accreditation as part of the American Academy for Liberal Education (AALE) charter school accreditation program.

BASIS School in Tucson, founded in 1998, offers instruction from the sixth through 12th grades. BASIS has been applauded for its use of Advanced Placement courses in the early high school grades, and offers a college-prep program that can be completed in three years.

Humanities and Sciences Institute of Phoenix and Tempe, founded in 1996, offers instruction in core academic subjects to secondary students who have not thrived in a regular public school setting. The institute uses resources from the Advanced Placement Program, the Core Knowledge Foundation, and the Great Books Program, and offers flexible school hours and one-on-one tutorial instruction. Completion of courses is based on performance on examinations, not on attendance or “seat time.”

Tempe Preparatory Academy, founded in 1996, offers instruction from the seventh through 12th grades and consistently ranks at or near the top in Arizona state assessments. Tempe Prep provides a curriculum highlighted by the Great Books Program, interdisciplinary seminars conducted on the shared inquiry model, intensive foreign language instruction, and a focus on math and the sciences.

Academy of Math and Science, a high-performing charter school in Tucson, was founded by Tatyana Chayka, an immigrant from the former Soviet Union who was distressed by the low academic standards of the traditional public elementary school her child attended. The school is designed to combine the best elements of a strong European education, emphasizing academic content, with American education, emphasizing individual student needs.

The AALE is recognized by the U.S. Department of Education as an accreditor of liberal arts colleges and university programs. Its Charter School Advisory Board includes some of the country’s top experts on education reform. The program is designed “to recognize public charter schools of high distinction” and ensure that young people are prepared with the knowledge and skills required for liberal education in college. To earn accreditation, charter schools must meet benchmarks that focus on educational excellence; demonstrate a content-rich academic curriculum in arts and sciences subjects for all students, regardless of background; make effective use of assessments, including objective and high-stakes tests; and hire and promote teachers based on how well their students learn, rather than on the teachers’ certification status. The academy also requires charter schools to provide evidence of effective leadership and financial strength.

SOURCE: American Academy for Liberal Education, <http://www.aale.org/charters/index.htm>.

tinue to promote charter school independence while streamlining oversight and answering calls for more accountability.

While we await the returns of those new strategies, however, it is instructive to look at Arizona's experience to date. Have the benefits of its relatively open system justified the risks?

Risks: Brush Fires on the Frontier

No doubt, Arizona's charter sector has had quite a few "bad apples," examples of which appear in "The Law" section of this report. But how prevalent have such cases been? On 2003 state assessments, only three charter schools (5.8 percent) were labeled "underperforming."⁶¹ This is less than half the percentage of all district schools (12.6 percent) that were declared underperforming.⁶² As noted above, the charter figures do not include a significant number of schools that were too small to be labeled. But overall, it appears that the glare from a relatively small number of flare-ups tends to obscure the underlying reality: Very few charter schools in Arizona are doing poorly. This is not to say that policy changes could not improve the situation further—a question addressed in the next section. The picture of Arizona's charter movement as a Wild West in which "the bad and the ugly" vastly outnumber "the good," however, seems to be overdrawn.

Still, there is cause for concern on two levels. First, with a fully *laissez-faire* system, state and authorizing officials have had no reasonable way to assure that charter schools are carrying out even the most basic responsibilities of public schools, such as being open to all students and keeping children safe from harm. There is simply no way a small agency with hundreds of sites to oversee can manage that task. As a consequence, the brush fires that have flared up are inevitable. No system can eliminate all possibility of such problems, but there is

clearly room for improvement.

There is a second level of risk, as well. Flare-ups lead to calls for change; cracking down to avert future problems. These calls tend to get translated into demands for increased paperwork and detailed prescriptions about what schools can and cannot do. Of course, these new requirements apply equally to all charter schools, even those (the vast majority) that have had no run-ins on compliance issues. Paradoxically, then, a *laissez-faire* system can end up bringing about its opposite—a highly regulated one—via a process of backlash. This paper returns to this balancing act in the "Resetting the Autonomy-Accountability Balance" section.

Rewards, Part I: Exemplary Schools

On the other side of the risk-reward trade-off: Has Arizona's relatively open system yielded a crop of exceptionally good schools? The numbers tell one story. In 2003 state assessments, approximately 21 percent of 52 charter schools were labeled "excelling," compared with 12 percent of 1,045 traditional district schools. A long-range study of SAT-9 reading achievement and achievement growth of students attending nearly 900 traditional and charter public schools found that, on average, charter school students perform at a higher level than their peers in traditional public schools.⁶³

Rewards, Part II: District Impact and Response

As a national phenomenon, charter schooling remains a relatively small slice of the overall "pie" of school enrollment, with only 1 percent to 2 percent of public school students attending charter schools in 2003-2004. In some cities, such as the District of Columbia, Kansas City, Mo., and Dayton, Ohio, attendance has hit the 15 percent to 20 percent range. More than 7 percent of public school students in Arizona attend charter schools (in fiscal

2003, a total of 71,680 students were charter school students; 906,403 were traditional public school students).⁶⁴ The number of schools has risen so rapidly that about one in four public elementary or high schools in Arizona is now a charter school site. And in specific parts of Arizona, the concentration of charter schools is even higher, reaching almost 51 percent in Mohave County (see Figure

8). More than 60 percent of the state's charter school students are enrolled in charter schools in Maricopa County.

In addition to the sheer number of charter schools, another factor is worth noting. Nationally, many charter schools have emerged to focus on narrow niches of students—high school dropouts, incarcerated youth, students with specific disabilities, and other groups of students who are deemed “at risk” for academic failure. This kind of specialization is a predictable outcome of both market forces and the policy environment in many states. From the market, the greatest demand for new options naturally comes from families and students who are ill-served by conventional institutions. Students with more advantages have often already found good places to go to school by moving to the “right” part of town or by being admitted to elite private schools. So it should not come as a surprise that the first families to flock to charter schools are often those who have lacked options in the past.

State policies have also fueled this focus on niche markets. In many states, it is still impossible to obtain a charter without receiving one from the local school district. Generally speaking, school districts and other elements of “the education establishment” are likely to be more friendly to niche charter schools. These schools remove students who are often costly and challenging to educate, without siphoning off the more attractive part of the market.

Niche charter schools serve a vital purpose, due to the severe challenges often faced by the students who attend them, so their emergence is clearly one of the great successes of the charter movement. These schools, however, are limited in their ability to have any substantial impact on the wider system of public education. They simply do not create an imperative for districts to pursue change. If anything, they relieve a burden.

Success on the Frontier: Art School Stresses Academics

The New School for the Arts (NSA), a charter high school tucked inside a building that was once a Tempe nightclub, houses more than 225 promising artists, dancers, and musicians. Students at NSA perform well; 76 percent of the school's sophomores passed the reading portion of the Arizona's Instrument to Measure Standards (AIMS) test in 2003, compared with the state average of 57 percent. In 2002, the school's graduation rate was 87 percent, compared with a state average of 73 percent. While certain classes have caused negative publicity and trouble for founder Ronald Caya, he stands firmly behind a curriculum that includes a life-drawing course with nude adult models, and music classes where youths learn to play rock-and-roll music (written parental permission is required for the classes with nude models). The academic curriculum includes four years of math, three years of science and four years of English. Mandatory history and foreign language classes also are part of the curriculum. “We treat people like individuals, like young adults,” Caya said. “But we're sticklers for their accountability and being responsible. Don't think you're just going to warm a seat for four years and get handed a piece of paper.”

SOURCES: Cieszlak, David. “Pressed for Best—Arts School Pushes Academics,” *The Arizona Republic*, Feb. 5, 2003; and NSA Profile, *Great Schools Net*, <http://www.greatschools.net/cgi-bin/az/achievement/1028>.

In contrast to many states, the number of students attending charter schools in Arizona has reached a level where it is impossible for charter schools to be limited to a niche focus. With percentages reaching as high as they are in some parts of the state, charter schools are bound to be drawing away mainstream students.

As a result, the impact of charter schools on district enrollment in Arizona is not just quantitatively different from other states—it is *qualitatively* different.

How has Arizona's charter sector managed to win such a large market share relative to other states? Is there something about Arizona's culture that makes parents more willing to strike off in new directions? Perhaps such an explanation would have held water back in the real frontier times, but today's Arizona is a product of years of relatively recent immigration from all parts of the country; there is no reason to think Arizona parents are that strikingly different in mindset. Could it be because Arizona's traditional schools are much worse than those in other states? It seems unlikely. Though Arizona's schools indeed score below the national average on the National Assessment of Educational Progress, for example, other below-average states with charter laws have seen nothing like Arizona's exodus to charter schools. The only factor that appears to explain charter schools' extra-large market share in Arizona is the relatively ready availability of charters. It seems that, based on Arizona's experience, "if you build it, they will come."

Has charter schools' market share generated any kind of significant response from school districts? As Ted Kolderie has pointed out, the presence of charter schools doesn't *make* districts change.⁶⁵ When districts begin to lose enrollment (and funding) to charter schools, they gain an incentive to try to stop the flow and even bring students back. But have they done so in Arizona?

Two sources of information are available to shed

Success on the Frontier: Marrying the Best of American and European Education Traditions

The BASIS School in Tucson is the creation of director Olga Block, a Czechoslovakian educator who came to the United States with her two children in the late 1990s. The school is designed to combine the best parts of the education systems of both continents. The college prep curriculum requires passing five advanced placement courses, classes that also can count for college credit. It is geared to be finished in three years, but students may take four. Based on scores from AIMS and the Stanford 9 test, BASIS students certainly perform well, with 100 percent of 10th graders meeting or exceeding state standards on reading (compared with a state average of 57 percent), and 88 percent of 10th graders meeting or exceeding state standards on math (compared with a state average of 35 percent). When AALE gave the school national accreditation (see "National Accreditation" story above) the accreditation stated: "BASIS has created a culture of learning that stands as a model of public school instruction. It pervades the student body." The academy praised the school's finance management and its faculty, noting most have advanced degrees in subjects they teach. Director Block acknowledged that when she started BASIS, she was interested only in academics. But she soon found music and band classes were desired, and parents wanted to get involved—ideas with which she was unfamiliar. Now the school has electives, including music and journalism, and students can compete in sports.

SOURCES: Bustamante, Mary, "No Miracles, Just Terrific Results," *Tucson Citizen*, Dec. 11, 2002; and BASIS School Profile, *Great Schools Net*, <http://www.greatschools.net/cgi-bin/az/achievement/1560>.

some light on the question of district response in Arizona. First, there is a growing base of anecdotal examples of districts responding to the presence of charter schools by offering new programs and stepping up efforts to “market” district schools to families. Second, more systematic research by scholars suggests that districts are, in fact, responding to chartering in interesting ways.

Stories of District Response

Anecdotal examples of districts’ responses to chartering in Arizona abound in press reports and other kinds of publications.

- ❑ Charter school growth exploded in the Mesa school district, Arizona’s largest district, shortly after the state’s original legislation was passed. During the 1996-1997 school year, 900 of the district’s 70,000 students transferred to charters, with every school losing at least one student.⁶⁶ The district began listening more closely to parents’ wishes, opened new back-to-basics schools, and began a first-of-its-kind enrichment program for home-schooled students. The Mesa district made national headlines when it began advertising for students in newspapers and local movie theatres. It also started promoting its cutting-edge programs, including an elementary school transformed into an arts magnet school the year charter schools were written into the law. Mesa also started offering all-day kindergarten after local charters did.
- ❑ An inner-city district in Phoenix sent letters to all charter school parents in the area, asking them why they had left district schools and how the district could serve them better.⁶⁷
- ❑ Nearly 12,000 students in the Tucson Unified School District (TUSD) now attend charter schools, and the district has witnessed the success of charter schools in attracting alternative

student populations. “TUSD does not track exactly how many students leave its schools for charters, but enough anecdotal evidence exists to make district officials aware of the trend,” said Kelly Langford, senior academic officer for student services. For example, TUSD lost 367 students between the 2001-2002 and the 2002-2003 school years, but officials do not know how many left for charter schools or how many moved out of state or just changed school districts. In the winter of 2004, Langford said, “One thing charter schools have done is create a sense of competition that we’re cognizant of, that we have to fight and we have to be very aggressive about keeping our clients, which are our kids and families. We’ve got to do a better job of marketing to our neighborhoods, and we tell principals that you need to let your communities know what your school offers.”⁶⁸

Running the Numbers

Quantitative studies have also begun to show that districts facing threats from charter schools have responded in ways intended to market themselves to the community, improve their performance, and offer new programs to retain current students and attract new ones. In a study conducted by Harvard economics professor Caroline Hoxby, Arizona public schools were found to have raised their productivity and achievement in response to competition from charter schools.⁶⁹ Using fourth-graders’ national percentile rank scores on the Iowa Test of Basic Skills (through 1995-1996) and the Stanford 9 (1986-1987 to 1999-2000), Hoxby found that public school fourth-graders’ reading and math scores rose by 2.3 percentile points and 2.7 percentile points, respectively, relative to national norms as a result of the introduction of charter schools in the state. These gains are not only relative to the schools’ own initial perform-

ance, but are also relative to the gains made over the same period by Arizona schools that did not face competition from charter schools.

Researchers Frederick Hess and Robert Maranto have documented clear evidence of district response to charter schools in Arizona. Five regions in the state, primarily urban areas, have sought to provide improved services, marketing themselves to families, offering similar programs to popular char-

ter schools, conducting customer service training for faculty and staff, and studying applications to “check up on the competition.”⁷⁰ Research conducted in 1998 by Hess, Maranto, and colleague Scott Milliman suggested that school districts that were more likely to cooperate with innovative teachers, giving them more power over curricula and school operations, were more likely to keep them in district schools.⁷¹

Challenges and Obstacles

When considering the challenges surrounding chartering in most states, talk quickly turns to constraints. Caps on the numbers of charter schools limit the growth of the sector. The district monopoly on authorizing charter schools keeps many promising school ideas from seeing the light of day. Often, funding formulas are grossly unfair to charter schools, which have to get by without facilities funding and full operating dollars. And opponents of charter schools are continually mobilizing and threatening to pass legislation that would make things even worse for charter schools.

These concerns do not really resonate in the Grand Canyon State, where there are no limits on the number of charter schools. The sky is the limit, and the sky is big in Arizona. Districts can issue charters, but most applicants go straight to the charter-friendly ASBCS. Like schools everywhere, Arizona's charter schools would like more funding. But charter school funding in the state is closer to par than in many other states. The formula, for example, includes an allocation for facilities. And this money is entirely fungible: It does not come with all the strings that are attached to state-provided capital dollars for districts.

Chartering has its critics in Arizona, but opponents have never mounted a serious challenge to the policy's basic tenets. As noted, a wave of reforms clamped down on some of the system's excesses. But Arizona's charter movement has not faced the kinds of legislative battles seen in other states, where opponents have mounted campaigns to limit growth, force charter schools to follow more state laws, or otherwise hamper the sector's health and potential for expansion.

In Arizona, the challenges are different. Two, in particular, are worthy of focus. First, the state's leaders—particularly those involved with

ASBCS—have been grappling for several years with the question of how to improve oversight of the state's charter schools within Arizona's broad framework of school autonomy. Resetting that balance has proven tricky. Second, though the state's charter community is large, it has lacked cohesion. In fact, “community” is probably not the right word for Arizona's collection of charter schools. As chartering enters its second decade, many observers are asking: Who will provide strategic focus and direction so that the state fully capitalizes on the charter idea? This section examines both of those challenges.

Resetting the Autonomy-Accountability Balance

From the beginning, the Arizona charter law has been held up—by charter proponents and opponents alike—as the most prominent example of a statute that makes it relatively easy to obtain a charter and that grants broad freedom to schools, once they open. Though Arizona's charter schools are technically required to meet a host of accountability mandates (see box on next page), observers have often accused the entities that oversee charter schools—and especially ASBCS—of doing too little to ensure that schools live up to these obligations.⁷²

The state's relatively hands-off policy stems from two sources. First, from the beginning, those involved with forging and implementing charter policy in Arizona have had a libertarian philosophical orientation, favoring spontaneous innovation as a source of progress and market-oriented accountability. Schools that appeal to parents are presumed to be doing fine, regardless of quantifiable results. The ASBCS's mission statement, for example, is: “To foster accountability in charter

schools, which will improve student achievement through market choice.”

Second, the sheer scale of the charter sector in Arizona has made hands-off oversight a practical

necessity. With a very large number of charter schools spread over a wide geographic area, there is simply no way that ASBCS and SBE can apply the kind of intensive attention that would be possible

Current Accountability Requirements for Arizona Charter Schools

Academic Accountability:

- ❑ Must demonstrate alignment to Arizona's Academic Standards.
 - Must participate in state mandated annual nationally norm-referenced testing program (currently the Stanford-9).
 - Must participate in the Arizona criterion-referenced testing program (AIMS: Arizona instrument to measure standards) in grades three, five, eight, and 12. This includes a “high-stakes” graduation test, beginning with the graduating class of 2006, in order to receive a diploma from the state of Arizona.
 - If sponsored by the ASBCS, must account annually for any decline in test scores.
 - If sponsored by ASBCS, must state clear performance objectives, including percentage of mastery, and provide curriculum samples in charter applications before a charter can be granted.
 - If chartered by ASBCS, must undergo a five-year review that includes site visits and a thorough review of each school's performance.

Financial Accountability:

- ❑ Must submit a detailed business plan as part of the charter application.
 - Must conduct an annual external audit, both programmatic and financial, with a certified CPA.
 - Must annually demonstrate compliance with the uniform system of financial record keeping (USFR or USFRCS for

charter schools), or must demonstrate compliance with generally accepted accounting principles (GAAP) if an allowed exception from the USFR has been received.

- Must submit annual financial reports to the superintendent of public instruction regarding funding by program, for inclusion in the superintendent's annual report.

General Accountability:

- ❑ Must comply with all state, local, and federal laws regarding health, safety, and civil rights. This includes, but is not limited to, compliance with city and county ordinances in relation to the quality and location of facilities.
- ❑ Must comply with all provisions of Individuals with Disabilities Education Act (IDEA), as well as with any restrictions or regulations related to acceptance of federal funding for start-up or programmatic functions.
- ❑ Must submit annual demographic and ethnicity data for the superintendent of public instruction's annual report, as well as periodic enrollment counts throughout the year, by which apportionments are adjusted.
- ❑ Must submit annual school profile data by school site for Arizona's school report cards. This includes such information as number of incidents of violence, qualifications of teachers, amount of money spent per classroom, and other school data relating to safety, achievement, and accountability.

SOURCE: Arizona State Board for Charter Schools, 2004, <http://www.asbcs.state.az.us/asbcs/pdf/accountability.pdf>.

for authorizers working in a single city. Funded solely by state appropriations (which have been under pressure in recent years), the oversight agencies also lack the sort of funding stream enjoyed by other large statewide authorizers such as Central Michigan University, which receives 3 percent of the operating funding of the schools it charters. A system like that in Arizona would give ASBCS more than \$8 million in annual revenue, but no such funding source exists.

Horror stories like the ones recounted earlier—of districts more or less selling charters, of schools engaging in egregious behavior—have prompted calls for resetting the autonomy-accountability balance in favor of stricter oversight. Sometimes these calls have come from the usual opponents of charter legislation, who have seized on scandals to press their case against the reform.⁷³ But even charter advocates, especially those outside of Arizona, have joined the chorus. There is a sense nationally that problems in Arizona are a black eye for charter schools nationwide—the example that anti-charter forces always trot out when they want to demonstrate the potential for mayhem that this dangerous reform creates. For the good of the national movement, some would argue, Arizona needs to get more in line with the kind of responsible practice that has evolved in other states. In short, Arizona’s frontier needs to be settled.

All of this ferment has led to some changes over the years in how the state conducts chartering. As described earlier, the 2000 reforms aimed to stop some of the more problematic practices, especially districts’ chartering schools outside their own borders.

But oversight challenges have persisted. In 2003, the Arizona Office of the Auditor General conducted a performance audit of ASBCS, at the request of the Joint Legislative Audit Committee.⁷⁴ The audit pinpointed serious deficiencies in how the board carried out its responsibilities, concluding, “The board lacks

a systematic and coordinated approach for monitoring the 329 charter schools it regulates.” Because the board oversees three-quarters of the state’s charter schools, the audit is worth discussing in some detail. Among its specific charges:

- ❑ Given the size of the board’s staff, it could not possibly visit all of its charter schools on a regular basis. For example, staff members conducted 87 visits in 2002.
- ❑ Even when the board’s staff members did conduct a visit, they did not always carry out a thorough review of the school’s “compliance with mandated educational requirements.”
- ❑ Though the staff identified problems in 41 of its 87 visits in 2002, it did not follow up on 31 of the cases to determine whether the schools had addressed the issues.
- ❑ Though the board required academically underperforming schools to develop improvement plans, it had no procedures for accepting the plans or following up on their implementation.
- ❑ Though schools were required to obtain annual CPA audits, the board lacked policies for following up on problems that surfaced in these reviews.
- ❑ More generally, the board lacked clear policies and procedures for carrying out its oversight work or the authority needed to act in cases of noncompliance.

Partly concurrent with the audit and partly in response, ASBCS has undertaken a host of major policy changes, outside of any legislation, to address these concerns. Some of these changes relate to the charter application process and some to oversight and accountability once schools are open.

Changes in the Charter

Application Process

In its first eight years of operation, ASBCS approved nearly three out of four applications it received. Though no national data are available for comparison, this rate of acceptance is almost certainly far higher than it is for the nation's other large-volume charter authorizers. In response to criticism of this openness, the board has created a tougher application process. Applicants now have clearer guidelines. The deadline for applications was once as late as January or February, giving applicants only a few months from approval to the opening of school. The 2004 deadline for schools opening in 2005, by contrast, has been bumped up to August.

The board also instituted a scoring rubric to rate the applications in the following areas:

- ❑ **Comprehensive Program of Instruction:** curricular emphasis, goals, curriculum sample for each grade level served, monitoring.
- ❑ **Detailed Business Plan:** business description, marketing plan, organizational structure, personnel, start-up plans, operating budget.

Many of the most significant changes in the system come in the second category. In fact, the 2003 state performance audit commended the board for enhancing the degree to which it asks applicants to project their finances, document resources, and substantiate enrollment projections. The ASBCS has also begun to hire outside consultants to conduct in-depth background checks on those wishing to open charter schools. The consultants will verify the employment history, education, financial background, and creditworthiness of individuals and corporate board members.

The new rubric includes four rating levels: “falls below the expectation,” “approaches the expecta-

tion,” “meets the expectation,” and “exceeds the expectation.” To receive approval, an application must receive a “meets” or “exceeds” rating on 95 percent of all scored sections. Receiving an “approaching” rating on more than one section or a “falls below” rating in *any* area will disqualify an applicant.

Board staff members used to evaluate and score the applications themselves. But now this responsibility is delegated to a review committee of charter school operators trained by the board's staff. Each application is scored by at least two reviewers. The staff then forward recommendations to the board.

Will these changes have their intended effects? It is too early to say. The process now more closely resembles that of other authorizers that are nationally well-regarded for the up-front rigor of their selection systems. But how the process ultimately works is in the hands of the board itself, which makes the final decisions. Scoring rubrics and outside reviews can provide valuable information for the board, but the board's actions will determine how rigorous the new system is in practice.

Changes in Accountability Practices

The board has also moved to change the way it oversees the schools it charters on two fronts: compliance and academic accountability.

Compliance. Like many charter authorizers, the board has long required schools to obtain an outside CPA audit annually. In 2003, though, it instituted some new requirements and procedures related to the audits. First, the board now requires auditors to complete a compliance questionnaire that looks at specific areas of concern such as open meeting law compliance and special education services. Second, audits are due earlier in the year, giving the board more time to react to the results. Third, the board put into place a more systematic process of reviewing schools' audits and taking action based on the results. If an audit raises issues,

the board can send a letter of concern to the school, require a corrective action plan, withhold 10 percent of the school's funding, or begin a revocation process. This year, the board has asked the Legislature for the authority to withhold an even larger percentage of a school's funds and to fine non-compliers.

As noted, the board now oversees schools previously sponsored by the State Board of Education. This created further monitoring responsibilities, but an interagency service agreement with the SBE also provided ASBCS with more resources, including three additional full-time-equivalent staff positions.

Academic Accountability. Arizona's charter schools are required by law to participate in the state's assessment system, AZLEARNs, and to demonstrate adequate yearly progress (as defined under the federal No Child Left Behind Act). In the state system, their performance is given one of four labels: excelling, highly performing, performing, and underperforming. If designated "underperforming," charter schools must hold public meetings to present school improvement plans. Arizona's charter schools are subject to the same requirements of the NCLB Act as traditional public schools, except they are not required to have certified teachers.

As the academic accountability process continues to evolve in Arizona, the ASBCS is continuing to work with schools to hold them to more measurable goals and objectives. In a new ASBCS policy passed in November 2003, charter schools will be required to turn in a list of academic goals each year, along with details of how they will achieve those goals. Charter school founders already list academic goals and measures in their applications, but the new requirement insists that they file an annual update with data that show how the school met its goals.⁷⁵

In addition, to make the monitoring process "more clearly articulated," ASBCS is working with

the Arizona Department of Education and the State Board of Education to create a rubric that will ensure that all charter schools, no matter how small, receive an academic label. This will help make the oversight process more consistent, as it will allow the board to look at academic performance goals of each school on an annual basis.

One of the difficulties with Arizona's charter school accountability program is that there is not a central clearinghouse of data on charter school performance. The database that is used by the ASBCS is not robust enough to give a long-term review of school performance or compliance. The board will request funding and is working on creating an accountability database that will include academic achievement data and detail fiscal issues and compliance over time. This will aid the board in looking for patterns in academic and fiscal compliance, as well as provide a sense of transparency to all of the board's chartering processes. Some of the data will be provided to the public online and will help families make informed decisions about schools. This process should evolve over the next year and be in place by 2005.

The New Requirements: Accountability, Paperwork, or Window Dressing?

Opinions differ over where all of these new policies and requirements will lead. The board defends its actions as strengthening accountability without severely infringing on schools' autonomy. Some advocates ascertain that the new accountability measures prove Arizona is not the Wild West when it comes to charter schools.⁷⁶ But the board's new policies have critics among charter friends and foes alike.

To some, the new requirements impose too great a burden on schools, a burden that is not justified by the potential benefits of more regulation. These critics point out that most of the new mandates involve increased paperwork for the schools, rather

than any real effort to close or penalize schools that are underperforming or failing to comply.

In an opinion piece in the *Tucson Citizen*, for example, researcher Robert Maranto charged that increased paperwork would make Arizona more like other charter states, “where chartering a school is a highly complex process requiring thousands of dollars in fees to lawyers, consultants, and even politicians. In those states, only businesses with deep pockets, or those who are politically connected, are able to charter. In contrast, more than 70 percent of Arizona charter campuses were started by teachers, social workers, parents, or school administrators—people who know and care about education.”⁷⁷

Finally, it is possible that the reforms under way may only put a small dent in the larger problem, and not result in increased “accountability” at all. The “Recommendations” section of this report offers ideas about how to further refine the balance in Arizona in ways that protect charter schools’ autonomy and the public interest at the same time.

Building a Cohesive Movement

Paralleling the growth in the number of charter schools nationally has been the expansion of an infrastructure of organizations that exist to help the schools and support the movement. These organizations take different forms, but the most common are membership associations of charter schools and nonprofit “resource centers.” They carry out such functions as legislative advocacy, information dissemination, technical assistance to applicants and schools, and provision of other needed services.

Similar organizations have sprung up in Arizona. In the law’s early years, the Goldwater Institute, a conservative think tank and advocacy organization based in Arizona, played many of these roles, with a special focus on spreading information about charter schools. The Arizona Charter Schools Association

has connected members across the state for several years.⁷⁸ More recently, a federal “dissemination grant” provided seed funds for an effort that has become the Arizona Regional Resource Center, which aims to be a “clearinghouse of technical assistance” for Arizona charter schools.⁷⁹

Despite all of this activity, however, numerous respondents in our interviews suggested that charter schools in Arizona lack a strong cohesive voice, especially when it comes to legislative advocacy. The Goldwater Institute’s direct involvement in the movement has dropped off markedly, though it continues to conduct research about charter schools’ effectiveness. The charter schools association is statewide in its reach, but represents only about one-third of the state’s charter schools.⁸⁰ The regional resource center is too new to have established a track record of service on a statewide basis.

Why has Arizona lacked the strong infrastructure that has appeared in many other charter school states? The initial robustness of the state’s charter law made legislative advocacy a lower priority in the early years of the movement. While charter advocates in other states had to battle for their laws’ survival or expansion, Arizona’s charter proponents had largely what they wanted from the start. There has been legislative wrangling over funding formulas, attempts to impose more oversight, and other issues, but the large-scale fights in other states have not taken place in Arizona.

In short, one of the major imperatives that drives the creation of charter school assistance organizations—the need for a legislative voice—was not as strong in Arizona at the outset. This situation is shifting, however, in the wake of calls for greater oversight of charter schools. What form will this heightened scrutiny ultimately take? Will the schools collectively be in a position to advocate for approaches that answer critics’ concerns while maintaining the schools’ autonomy? At this point,

it is unclear whether the schools will have the needed muscle. A proposal in the Legislature this year would add two members to ASBCS—a charter school operator and a charter school classroom teacher—but the bill's prospects are uncertain.

The other major imperative that has served as an impetus for charter school organizations in other states has been charter schools' need for services. Since they are often not part of school districts, charter schools lack access to many of the services and resources that districts customarily provide. Charter school resource centers and associations have stepped in to fill those gaps in many states.

As one would expect, Arizona's response to this issue has been unique. Early in the development of charter schools, a firm that came to be known as ABS School Services emerged as a provider of "back-office" services to charter schools. The company developed a whole suite of products, offering help with everything from accounting, financial management, and payroll to food service and insurance. Though the firm did not offer to operate schools' instructional programs the way education-

al management organizations do, it did offer some instruction-related services, including conducting an audit of schools' learning programs to ensure alignment with Arizona state standards. The company also developed a line of lending products, offering various forms of financing to charter schools.

At its high point, ABS School Services had a majority of Arizona's charter schools in its portfolio of customers—a much greater market share than one typically sees from for-profit charter school service providers. This dominance mitigated the need for other organizations to step in to offer services. However, that position was not to last. The organization, now called the GEO Group, steadily lost its share of the market, as charter schools opted to take their business elsewhere or perform services in-house.

As a result, Arizona does not have a strong infrastructure of support for charter schools. In time, one may develop, especially if standards rise for applicants and schools. In the meantime, this is one of the major challenges facing charter schooling in Arizona.

Recommendations

Arizona's chartering program has reached a critical juncture. After a decade of rapid expansion, the state is grappling with how to introduce greater accountability into the process. Through legislation and, more significantly, the actions of ASBCS, policymakers have begun to take steps to tighten the application process, increase oversight, and hold charter schools to higher standards of performance. On its face, this activity seems necessary. Though charter schools need autonomy in order to fulfill their promise, the public has an interest in making sure they live up to certain obligations.

It would be easy, however, for this attempt to reset the autonomy-accountability balance. Arizona's charter movement has reached its current status due to its relatively open environment, which has allowed many new options for families to take root and thrive. As policymakers seek to tend this garden more actively, they need to do so in a way that keeps the soil fertile for the future.

What kind of oversight makes sense in a state that wants to maintain a relatively open environment for charter schooling?

1. Be tough but smart about oversight. Arizona clearly needs to improve its oversight of charter schools in order to identify and address low performance and serious noncompliance with the basic public obligations of charter schools. But *how* to go about strengthening oversight is less clear. When problems arise in carrying out the public's business, the immediate tendency is to impose a raft of new, across-the-board requirements. Setting new rules, demanding more reports, and stepping up enforcement are good ways for policymakers to show that they are taking problems seriously. The resulting regulation, though, may or may not

address the underlying issues. And it may create negative side effects that detract from any positive contributions, such as administrative burden and constraints on innovation and adaptation.

To avoid these pitfalls, those responsible for overseeing charter schools in Arizona should:

❑ **Focus oversight on what matters most: academics and bottom-line compliance issues.** Schools are complex operations. There are many facets to schooling, each of which could be the subject of regulatory constraint. The key to smart regulation is to see through that complexity and zero in on only those areas that are truly essential to the public's interest in high-quality schooling. One of these, of course, is academic performance. The board's current plans to define performance objectives more clearly and ensure that all charter schools receive a label in the state's accountability system are steps in the right direction. Measuring how much value charter schools add would be another important step to take. What about compliance? Again, focus is the key: What areas of compliance are truly essential? The health and safety of students is paramount. Also central, due to their public nature, is schools' openness and nondiscrimination with regard to students. How schools handle public funds is also important, though financial regulation can easily degenerate into micromanagement. Here, the most pressing public interest is to avoid fraudulent use of funds. Beyond that basic stricture, detailed oversight of charter spending is unnecessary.

❑ **Minimize administrative burdens on schools and oversight agencies.** Whatever areas regulators choose to oversee, they should design sys-

tems with an eye to minimizing burdens on schools and their own agents. Unlike traditional public school regulatory structures, which have been built up over the decades and exhibit powerful inertia as a result, charter structures can be designed more or less from scratch. In each area of concern, regulators should ask: What do we absolutely need to know in order to carry out our oversight responsibilities? What is the least burdensome way we can get that information? Continually revisiting those questions can help avoid the kind of ossification that usually follows regulatory initiatives.

❑ **Focus oversight resources on problem areas.**

There is an understandable tendency in public administration to treat all regulated entities equally—in the case of charter schools, to think that all schools should have the same paperwork requirements, undergo the same audits and inspections, and so on. This concern for equitable treatment, however, has the effect of spreading the regulatory agency’s resources too thinly and imposing needless burdens on law-abiding schools. In Arizona, where so many schools are overseen by a relatively small agency, this risk is very real. The alternative is to focus resources on problem areas that emerge, reserving most inspections, reporting, and other activity for schools that show evidence of trouble. Combined with spot checks, this approach puts resources where they count.

❑ **Increase use of random spot checks as a deterrent.**

While ASBCS does employ some unscheduled site visits, using more random spot checks can uncover problems and, more importantly, deter misbehavior. For example, regulators need to determine whether schools’ admission processes are open and nondiscriminatory. Rather than seeking to audit or oversee

every charter school’s admissions process, problem-focused regulators would do so randomly. If issues emerged at a particular school, then more frequent intensive monitoring would ensue until the process was on track.

2. Use information aggressively as a tool for accountability.

Even with the techniques of “smart regulation,” there is no way an agency regulating charter schools can ensure that it will pick up on and deal effectively with all problems that arise. This is especially true for an organization like ASBCS, with so many schools across such a wide geographic area under its jurisdiction. As it has from the beginning, Arizona will continue to rely on “the market” as a central mechanism of accountability: parents voting with their feet to express satisfaction or dissatisfaction.

As everyone learns in Economics 101, it is imperative in this context for consumers to have rich information about the schools. There simply are not much useful data available about individual charter schools in Arizona. The state publishes basic performance data. A nonprofit organization, *GreatSchools.net*, offers some information online. But a parent or other member of the public would have a hard time learning about how well a particular school is performing on a wider range of measures, or whether that school faced any kind of compliance problems, or whether that school was a good fit for his or her child. While the board is developing more data systems, with some plans to share information with the public, a much richer database of performance information needs to be available online, along with access to schools’ audits and compliance records.

3. Close poorly performing schools. The board has increased the stringency of the application process, but its rate of approving charter applicants is still high by national standards. With this rela-

tively open front end, it becomes especially important to have a clear, workable process for closing schools that are not performing well. A combination of letting 1,000 flowers bloom but never doing any weeding is a bad mix. Elements of this process would include:

- ❑ Explicit thresholds of low performance or non-compliance that trigger potential revocations.
- ❑ A transparent process for making decisions about revocations.
- ❑ Clear authority on the part of authorizers to revoke schools' charters.

Authorizers themselves can develop the first two items, and the board has taken steps in this direction. The authority of authorizers to revoke charters, though, is a matter of state law. While some due process is necessary, charter operators should not be able to use the courts to stop legitimate revocations from moving forward.

The other ingredient, of course, is the will to act in cases where schools are failing—which relates back to the previous recommendation on transparency and information. The more data are available on each school, the more clear it becomes to parents, the public, the media, and legislators which schools are succeeding. This kind of transparency increases the pressure on authorizers to take action when schools are doing poorly.

4. Provide resources for high-quality authorizing. All of these recommendations require that authorizers, and in particular ASBCS, have sufficient resources to carry out their work. “Smart” regulatory strategies would allow the board to do more with less, but the board needs to increase its capacity. Legislative proposals in the 2004 session would address this issue by allowing the board to

levy fines and other fees, yielding revenue to pay for more capacity. Direct state funding would be another option, minimizing the cost to schools.

A related issue is whether Arizona needs more authorizers. Before 2003, Arizona had two active statewide authorizers and at least some districts with an interest in chartering schools. District interest has waned and, as noted, SBE has ceased authorizing, for the time being. Is it healthy for the state to have, in effect, a single authorizer? Concentration has some advantages. Recent research has suggested that having a few authorizers with a high volume of chartering is more effective than numerous small-scale authorizers.⁸¹ High-volume charterers are more likely to develop the kinds of systems needed for effective oversight.

Arizona's volume, however, is so large that this logic may not apply. It may make sense for the state to diversify its authorizing to some degree. Having more than one prominent authorizer would allow different approaches to oversight to emerge and, in conjunction with better transparency regarding school performance, be put to the test. Legislation in the 2004 session would enable universities to authorize, but there are other possibilities. The state could create new, more specialized authorizers. An authorizer focused on high schools, for example, could be useful, given the lackluster results of Arizona's charter high schools. The state could also empower big-city mayors to issue charters, spurring more supply and competition in the state's larger urban areas. Relative to other recommendations, adding more authorizers to the mix is a lower priority, but worth considering as part of an overall effort to improve oversight in Arizona.

5. Focus on creating a support system to improve and expand the supply of high-quality charter schools. The first generation of charters more or less emerged from the grassroots, made possible by the open system of authorization. As the bar rises to

obtain a charter, it becomes more important to think strategically about supply. Where will the next generation of charter applicants come from? What steps can help this next generation be a step ahead in quality? A number of strategies could be useful in this regard:

❑ **Replicating success.** Arizona has *many* very successful charter schools. Some of these could be candidates for replication—forming one or two additional schools in their images, or even forming networks or “charter management organizations” with plans to develop larger numbers of schools. In addition, successful networks from elsewhere could be encouraged to set up shop in Arizona. Nearby California is home to a growing number of these multi-school organizations, some of which may come to regard Arizona as a logical site for expansion.

❑ **Tapping existing civic organizations.** Like every state, Arizona has many community-based and cultural organizations with strong ties to their constituents and/or areas of substantive expertise. Some of them have been involved in starting charter schools, but non-institutional founders have been more preva-

lent. Since pre-existing organizations bring ready-made capacity, the state would be well-served if more of them stepped into the school-chartering business.

❑ **Build capacity to support schools.** Schools that are not part of networks especially need access to high-quality support services in areas such as back-office management and facilities. Arizona would be well-served by a diverse set of providers in these areas, driven by competition with one another to provide excellent service. A robust service system takes a burden off school leaders, allowing them to focus on their schools’ educational programs. Strong services also make it easier for would-be charter-starters to take the leap by making the process of starting and operating a school less daunting.

Though each of these steps would be helpful, it is less clear who should take the initiative to bring them about. All of them seem beyond the scope of the board, which has its hands full with its authorizing duties. It would be useful for charter advocates and potential philanthropic supporters of such efforts to engage in a conversation about the best organizational vehicles for getting this work done.

Conclusion

Arizona's charter experience over the past decade has clearly shown the power of a relatively open chartering system. Schools have sprung up in all corners of the state; parents and teachers have flocked to them in great numbers. Interesting new approaches have emerged. Quite a few of the schools have been strikingly successful. In many places, charter schools have achieved an impressive market share, and districts have begun to respond more vigorously in Arizona than in most charter school states.

The experience has also demonstrated some of

the pitfalls of the open approach: a raft of questionable schools; charges and confirmed cases of various kinds of misdeeds; the resulting calls for a crackdown that could endanger the schools' autonomy and variety.

As policymakers in Arizona seek to reset the balance, it is worth repeating that "there's no place on Earth like the Grand Canyon State." Arizona has an opportunity to continue its leadership in this area, forging a new kind of accountability system—one that fulfills basic public responsibilities while still fostering the open charter environment that is the state's hallmark.

Endnotes

¹ Official website of the Arizona Office of Tourism, <http://arizonaguide.com>.

² Center for Education Reform, State-by-State Charter School Enrollment, <http://www.edreform.com/index.cfm?fuseAction=stateStatChart&psectionid=14&cSectionID=44>.

³ The ASBCS consists of individuals appointed by the governor, with the following exceptions: the superintendent's designee, who is appointed by the state superintendent of public instruction and serves as a voting member; and the three legislative advisory members, who are appointed by the speaker of the House and the president of the Senate and serve in an advisory capacity.

⁴ ASBCS, December 2003.

⁵ By number of students, the board's "district" would not rank as high—still large, but not in the top 100 districts. National Center for Education Statistics, *Characteristics of the 100 Largest Public Elementary and Secondary School Districts in the United States: 2001-02*, U.S. Department of Education, 2003.

⁶ Arizona Learns, <http://www.ade.state.az.us/azlearns/>. See the "Outcomes" section for more details.

⁷ Solmon, Lewis, and Pete Goldschmidt, *Comparison of Traditional Public Schools and Charter Schools on Retention, School Switching, and Achievement Growth*, Goldwater Institute, March 2004.

⁸ See the "Outcomes" section for citations to various surveys.

⁹ See Figures 5 and 6.

¹⁰ See "Risk and Reward" section for citations.

¹¹ The Center for Education Reform rates and ranks the nation's state charter school laws on 10 different criteria (including number of schools, number of chartering authorities, start-ups, autonomy, and exemption from collective bargaining agreements). This national organization, an advocate for school choice, interprets a law as strong when it encourage applicants and charter operations and does not impose heavy administrative burdens, stifle creativity, or require charter schools to follow most existing education rules and regulations. *Charter School Laws Across the States: Ranking Scorecard and Legislative Profiles*, February 2004, http://www.edreform.com/_upload/charter_school_laws.pdf.

¹² Hassel, Bryan, *The Charter School Challenge: Avoiding the Pitfalls, Fulfilling the Promise*, Brookings Institution, 1999.

¹³ Maranto, Robert, and Frederick Hess, "The Charter Story in Arizona," *The Charter School Landscape*, 2002, p. 61.

¹⁴ Maranto, Robert, and April Gresham, "The Wild West of Education Reform: Arizona Charter Schools," *School Choice in the Real World*, 2001, p. 101.

¹⁵ *Ibid.*, p. 62.

¹⁶ Hartley, Mary, "A Voice from the State Legislature: Don't Do What Arizona Did," *School Choice in the Real World*, 2001, p. 202.

¹⁷ Fine, Lisa, "Arizona Charter in Jeopardy Over Religious Instruction," *Education Week*, April 4, 2002, <http://www.edweek.org/ew/newstory.cfm?slug=30caps.h21>.

¹⁸ Hartley, Mary, pp. 202-203.

¹⁹ Center for Education Reform, *Charter School Closures: Opportunity for Accountability*, October 2002, p. 8.

²⁰ ASBCS, December 2003.

²¹ ASBCS, February 2004.

²² Arizona Department of Education (ADE), *Annual Financial Report*, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/FY2003AnnRptStateSummaryOfNumAndTypeOfPublicSchools.htm>.

²³ ASBCS, February 2004.

²⁴ ASBCS, February 2004.

²⁵ *Annual Financial Report*, ADE, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

²⁶ *Ibid.*

²⁷ *Free and Reduced Lunch Statistics*, ASBCS, 2003, April 2004.

²⁸ *Annual Financial Report*, ADE, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

²⁹ These statistics are from a study of more than 60,000 Arizona students attending 873 charter and traditional public schools statewide over a three-year period. Solmon, Lewis, and Pete Goldschmidt, *Comparison of Traditional Public Schools and Charter Schools on Retention, School Switching, and Achievement Growth*, Goldwater Institute, March 2004, p. 4, <http://www.goldwaterinstitute.org/article.php/431.html>.

³⁰ *Ibid.*

³¹ ASBCS, February 2004.

³² *Annual Financial Report*, ADE, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

³³ *Annual Financial Report*, ADE, 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/PercentRevYearSource.htm>.

³⁴ *Annual Financial Report*, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

³⁵ Goldwater Institute, *Arizona Charter Schools, A History of Legislation, Attorney General Opinions, Auditor General Memoranda, News, Events and Research: 1995-2000*, p.17.

³⁶ *Ibid.*

³⁷ Kristen Jordison, interview with Michelle Terrell, March 29, 2004.

³⁸ The Arizona Achievement Profile is used to designate all public schools as “excelling,” “highly performing,” “performing,” or “underperforming.” Student performance on AIMS and MAP are the primary indicators for the elementary school profile, and student performance on AIMS is the primary indicator for the secondary school profile. AIMS is Arizona’s state mandated assessment given to students in grades three, five, eight, and 10 in the subject areas of reading, writing, and mathematics. MAP, “Measured Academic Progress,” is used to measure individual student growth. Student Stanford 9 test scores are linked from one year to the next, and student growth on the test is calculated. The Stanford 9 measures student performance relative to the national average, while AIMS scores show how well students have learned according to the state’s own learning standards. More information available at <http://www.ade.state.az.us/azlearns>.

³⁹ *District School and Charter School AYP Determinations, ADE*, <http://www.ade.state.az.us/profile/publicview/aypdistrictlist.asp>.

⁴⁰ This analysis of district and charter schools leaves out alternative, small, K-2 or new schools. As discussed in the section on changes to the ASBCS accountability policies, the board is working with the Department of Education to ensure that in future years, all charter schools receive achievement profiles. Last year, district or charter schools with enrollment counts of 30 or under were not included in the profiles; the SBE in the winter of 2004 approved a new policy that would include schools with counts of 15 or more.

⁴¹ Solmon, Lewis, and Pete Goldschmidt, *Comparison of Traditional Public Schools and Charter Schools on Retention, School Switching, and Achievement Growth*, Goldwater Institute, March 2004, <http://www.goldwaterinstitute.org/article.php/431.html>.

⁴² Kolderie, Ted, *Evaluating Chartering: A Case for Evaluating Separately the Institutional Innovation, Education Evolving*, 2003, <http://www.educationevolving.org/pdf/evaluating.pdf>.

⁴³ Withholding funds from noncompliant schools has been on the increase; 12 schools had funds withheld in fiscal 2001; 21 schools had funds withheld in fiscal 2002; 29 schools had funds withheld by fiscal 2003.

⁴⁴ In addition, 40 approved schools never opened; six had closed and then reopened and reorganized; ASBCS, December 2003.

⁴⁵ Closures: Opportunity for Accountability, Center for Education Reform, October 2002, <http://www.edreform.com/upload/closures.pdf>.

⁴⁶ *Ibid.*

⁴⁷ Solmon, Lewis, *The Arizona Charter School Parent Satisfaction Survey: How Parents Grade Their Charter Schools*, ASBCS, <http://www.asbcs.state.az.us/asbcs/PSS%202002.htm>. This report presents data from a mail survey of 45,588 parents of charter school students during the 2001-2002 academic year. A total of 11,777 responses were received, for a response rate of 29.1 percent, after adjusting for nondeliverable surveys.

⁴⁸ *Annual Financial Report*, ADE, fiscal 2003, <http://www.ade.state.az.us/annualreport/annualreport2003/Summary/Summary.aspx>.

⁴⁹ *Who is Choosing Charter Schools? A Snapshot of Geography and Ethnicity of Charter School Students*, Goldwater Institute, 1998.

⁵⁰ Cobb, Casey, and Glenn Glass, “Ethnic Segregation in Arizona Charter Schools.” *Education Policy Analysis Archives*, Vol. 7, No. 1, January 14, 1999, <http://epaa.asu.edu/epaa/v7n1/>.

⁵¹ Solomon and Goldschmidt, 2004. p.4.

⁵² *Ibid.*

⁵³ By law, teachers in Arizona’s charter schools may remain covered by the school district’s collective bargaining agreement, negotiate as a separate unit with the charter school governing body, or work independently. Kristen Jordison of ASBCS was not aware of any Arizona charter school teachers participating in a bargaining agreement in fiscal 2004. Approximately 15 percent of teachers in traditional schools have bargaining rights, compared with a national average of 68 percent, according to a report by the American Federation of Teachers, *Are Teacher Unions Hurting American Education? A State-by-state Analysis of the Impact of Collective Bargaining Among Teachers on Student Performance*, <http://www.aft.org/research/reports/collbarg/ift3.htm>.

⁵⁴ Maranto, Robert, and April Gresham, “Arizona Charter Schools,” *School Choice in the Real World*, 2001, pages 110-112.

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⁵⁶ Charter Law Analysis, Center for Education Reform, 2004, <http://www.edreform.com/index.dfm?fuseAction=cLaw&stateID=29>.

⁵⁷ ASBCS, December 2003. Six other applications were considered incomplete, and 22 were withdrawn by applicants.

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⁷² Hill, Paul, et. al., *A Study of Charter School Accountability*, *op. cit.*

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⁷⁴ *Performance Audit: Arizona State Board for Charter Schools*, Arizona Office of the Auditor General, August 2003, <http://www.auditorgen.state.az.us/publications.htm>.

⁷⁵ Charter schools have until the end of February to submit their academic goals, and the board will review them in March. Part of this is a new set of required "Declarations," in which schools must submit assurances that their academic programs are aligned with state standards. This year, ASBCS staff provided technical assistance, hosting workshops on how to set a goal and measure it.

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